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10-2009

# Poverty in Maine Update, October 2009

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# POVERTY IN MAINE UPDATE

Volume 2, Issue 2

October 2009

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## Dear Readers,

This *Poverty in Maine Update* produced by the Maine Community Action Association and the Margaret Chase Smith Policy Center at the University of Maine provides updated information about poverty in Maine based on the most current and reliable data available from state and federal sources. This issue focuses on the latest trends in regional poverty patterns, income and employment. It presents a picture of the circumstances just as the 2008 and 2009 recession began. Effects of the recession are most evident in the sharp rise in unemployment and in the increased numbers of Mainers receiving food stamps. There is no doubt that these conditions have continued to become more deeply felt.

As winter approaches low income families and the elderly fear a loss of work, reduced work, or the failure of meager Social Security increases to keep up with expenses. They also are deeply worried that oil prices will increase dramatically as

they did two winters ago. For Maine's low income community the future is dominated by fear. Shelter and food are the primary needs of all of us and when those basic survival needs are uncertain the personal burden is enormous.

We hope that you find this newsletter useful in understanding the issues and scope of poverty and the economic distress within our state. We also hope that the state's leaders will use this information to design policies and programs that are most responsive to the needs of Maine's most vulnerable citizens.

Thank you.

Matthew Smith, Executive Director  
Maine Community Action Association

## POVERTY

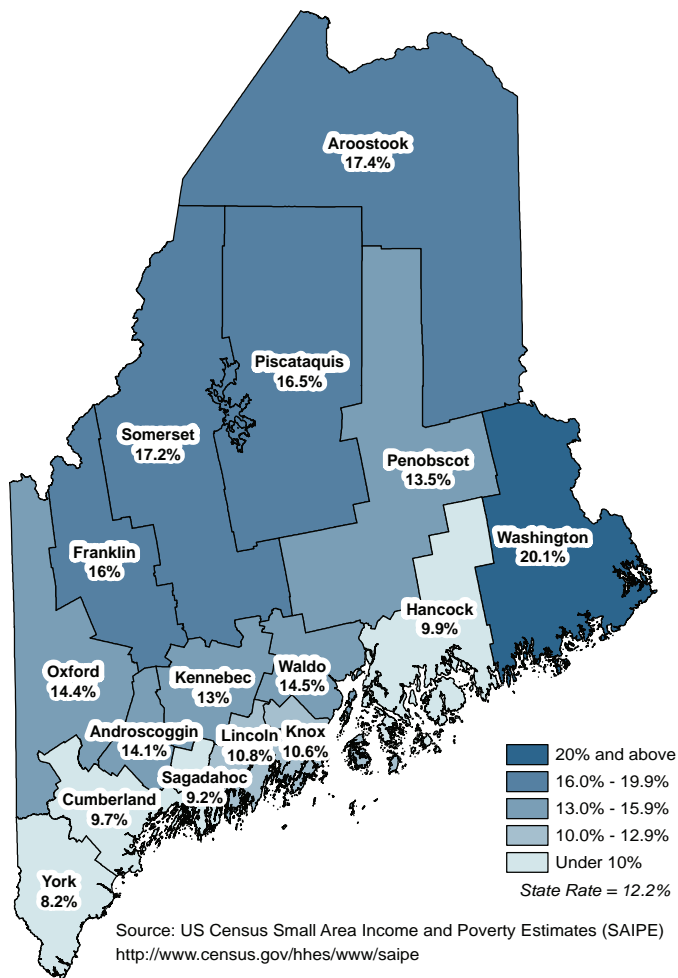
Maine's estimated individual poverty rate in 2007 was 12.2 percent, while the national rate was 13.0 percent. The effects of the recession are not reflected in the 2007 figures, but we anticipate that 2008 data are likely to show substantial increases in poverty at the national, state and county levels. The poverty rate is considered a "lagging" indicator, in that it tends to rise after the official end of recessions.

Marked regional disparities in poverty continue in Maine. In 2007, ten counties had poverty rates above the state's rate. The highest individual poverty rates were in Washington County (20.1 percent), followed by Aroostook (17.4 percent), Somerset (17.2 percent) and Piscataquis (16.5 percent) counties. The lowest poverty rate was in York County (8.2 percent), followed by Sagadahoc (9.2 percent) and Cumberland (9.7 percent) counties (Figure 1). Compared with 2006, the poverty rate increased in 2007 in Aroostook, Franklin, Kennebec, Somerset and

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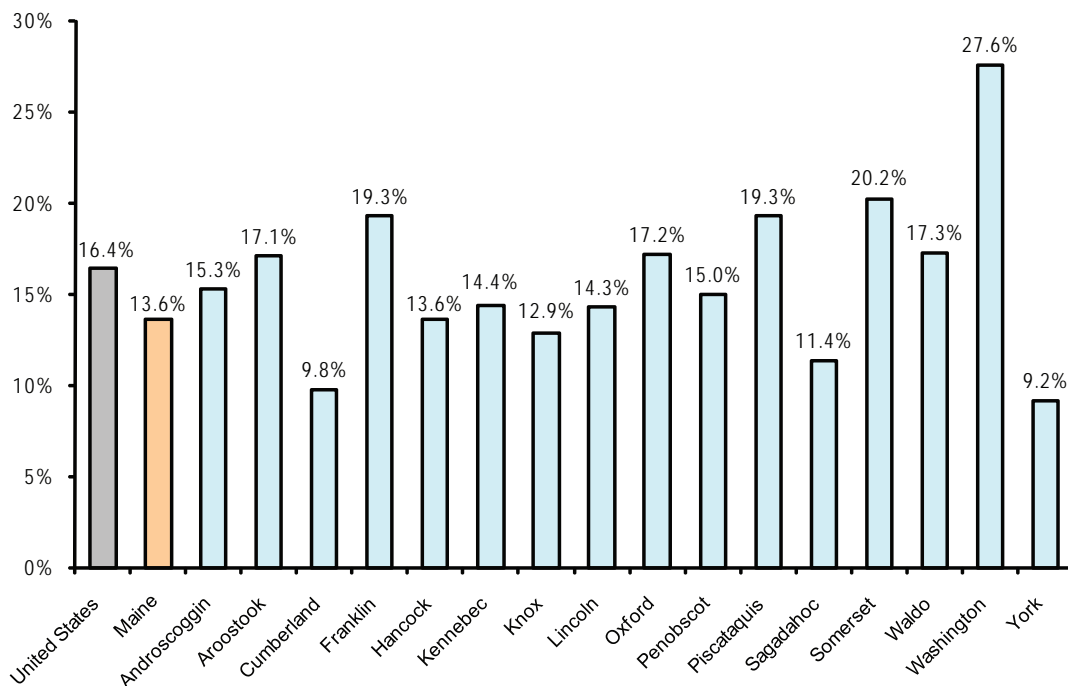
Figure 1: Individual Poverty Rates, 2007



Washington counties and decreased in the other counties. However, because of the possibility of sampling and modeling errors, year-by-year poverty rate comparisons on the county level may not be accurate or significant.

Poverty differentially impacts children. In 2007, an estimated 13.6 percent of Maine children age 17 and under were below poverty, compared with the national rate of 16.4 percent (Figure 2). Regional disparities are also evident in child poverty rates. Highest rates of child poverty were in Washington (27.6 percent), Somerset (20.2 percent) and Franklin (19.3 percent) counties. Lowest child poverty rates were in York (9.2 percent) and Cumberland (9.8 percent) counties.

Figure 2: Age 0-17 in Poverty, 2007: U.S., Maine and Maine Counties



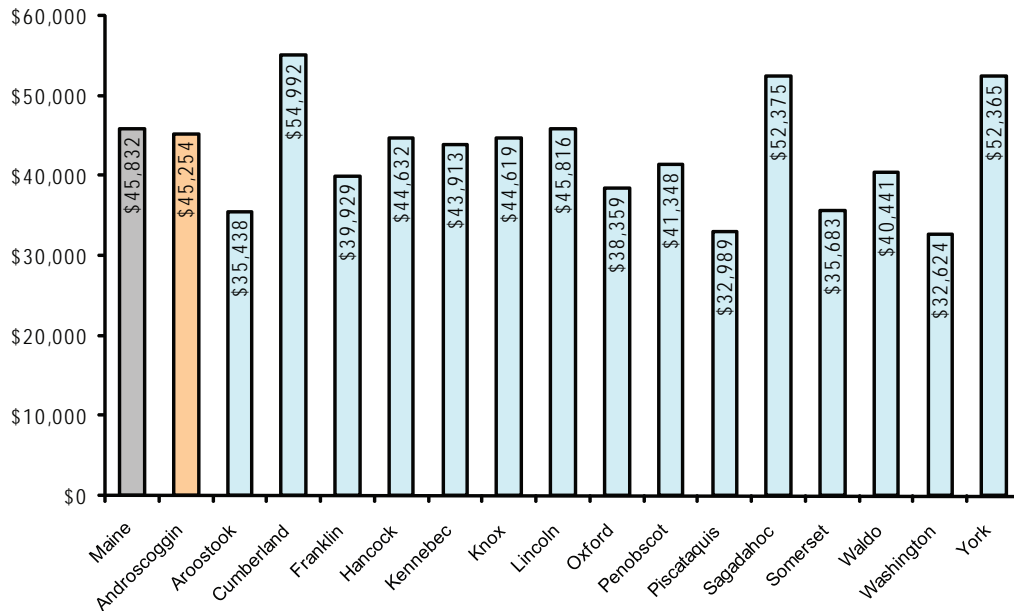
Source: U.S. Census, Small Area Income and Poverty Estimates (2008)

# INCOME

## Census-reported Income Estimates

Maine is consistently in the lower tier of states in median household income. (Median income is the mid-point of incomes in a given area, with half of households below and half above this point). Maine's median household income averaged over the 3-year period from 2005 to 2007 was \$47,160 (based on 2007 inflation-adjusted dollars). This placed Maine as the 31st lowest state in the country (i.e., only 19 states had lower household incomes) (U.S. Census 2008). This was the same ranking as in 2004-2006, but is an improvement compared with 2003-2005, when Maine's median household income ranked as 39th lowest.

Figure 3: Median Household Income, 2007: U.S., Maine and Maine Counties

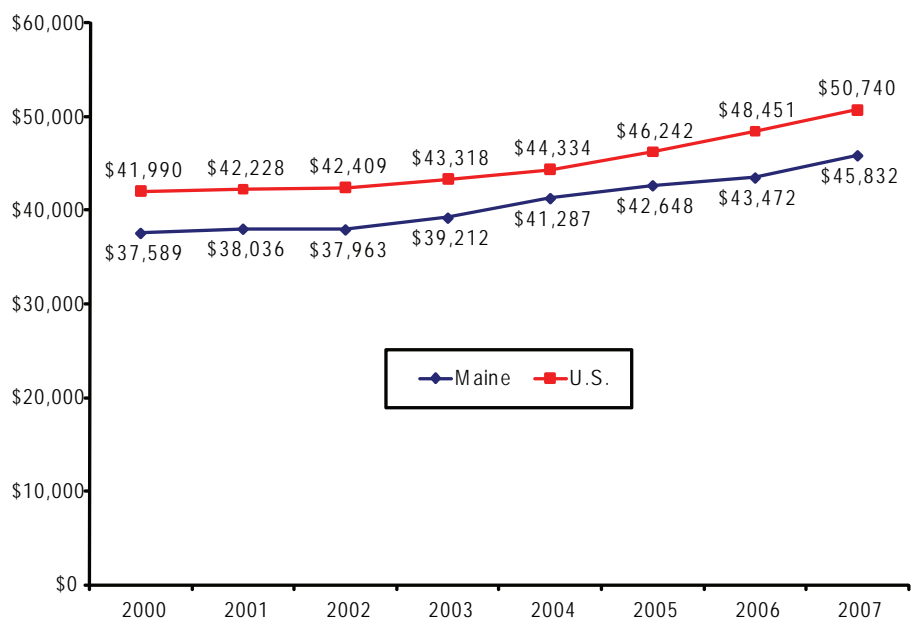


Source: U.S. Census, Small Area Income and Poverty Estimates (2008)

There are marked disparities in income from one county to another: Aroostook, Piscataquis Somerset and Washington counties' 2007 median household income was more than 20 percent lower than the state median of \$45,832 (Figure 3).

The gap between Maine's median household income and that of the country as a whole, which had had narrowed somewhat in the period from 2003 to 2005, increased in 2006 and 2007. Maine's median household income was 92 percent of the U.S. median in 2005, but by 2007 it had worsened to 90.3 percent of the national figure: \$45,832 in Maine compared with \$50,740 nationally (Figure 4).

Figure 4: Median Household Income Trends, Maine and U.S., 2000-2007



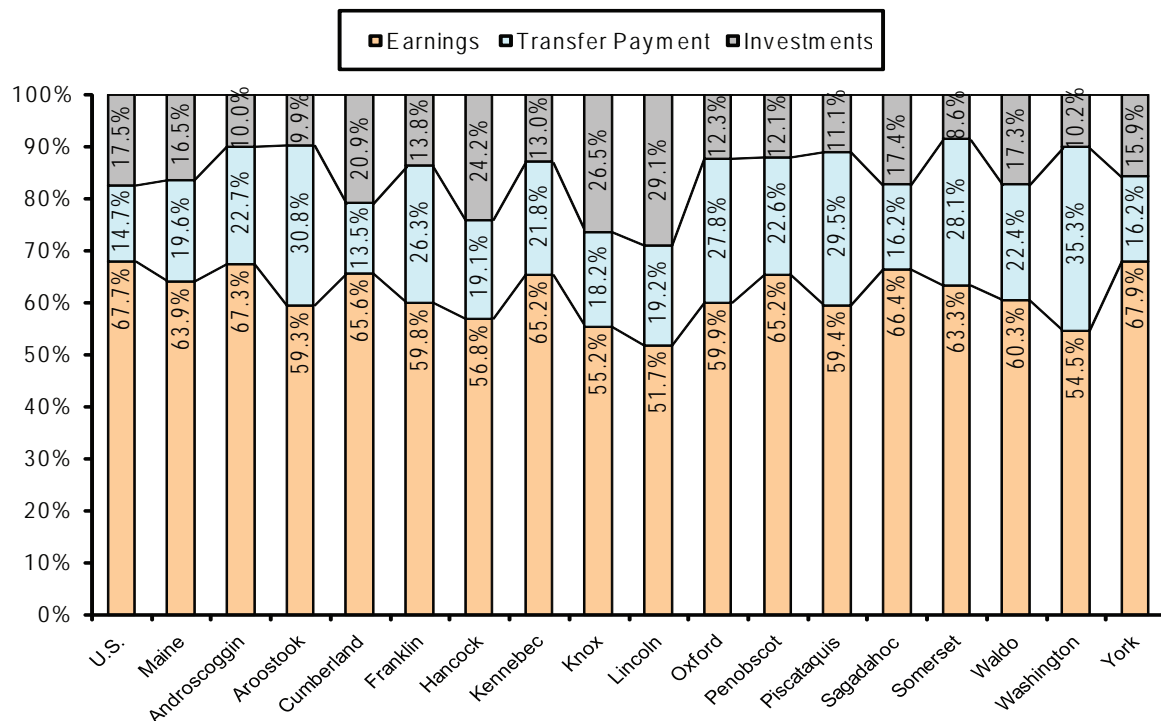
Source: U.S. Census, Small Area Income and Poverty Estimates (2008)

## Personal Income

Economists generally use the measure of “personal income” as the most accurate indicator of income and economic activity in a metropolitan area, county, state, or region. It is a composite measure, derived from a number of different sources, while the Census uses self-reported household income and does not include all income categories.

The three components of personal income are: wages and self-employment; investments (dividends, interest, rent); and transfer payments. Transfer payments are defined as payments for which no current services are performed, and are primarily given by federal, state and local governments, for example, government retirement and disability benefits (e.g., social security, military pensions); medical payments to providers (e.g., Medicare, Medicaid); income maintenance benefits (e.g., food stamps, TANF); and unemployment insurance benefits. A higher proportion of income from transfer payments in an area is generally an indicator of higher levels of poverty or near poverty, presence of an older population, or both. Nationally and in Maine, government medical benefits comprise the largest proportion of transfer payments. In most Maine counties, close to half of transfer payments are medical payments made to providers. As the population ages, we would expect to see medical benefits constituting an increasing share of transfer payments.

Figure 5: Percentage of Personal Income by Type, U.S., Maine, and Maine Counties, 2007



Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

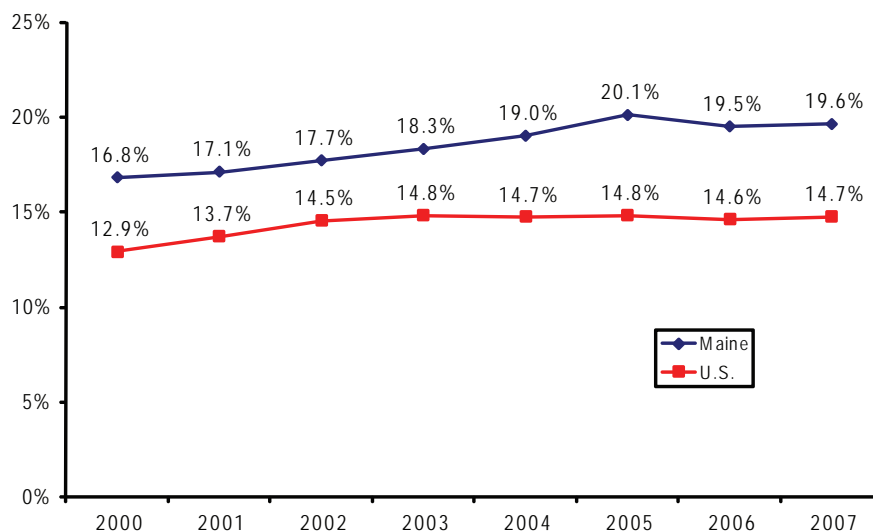
In 2007, wage and self-employment income was a smaller proportion of personal income in Maine than in the nation (Figure 5). In Maine 63.9 percent of personal income was from wages, while in the U.S. it was 67.7 percent. Personal income from investments in Maine was likewise lower than in the U.S. as a whole. However, personal income from transfer payments was substantially higher in Maine (19.6 percent) than in the U.S. (14.7 percent).

Within the state, there are marked differences among counties in the proportion of personal income from various sources. In 2007, in Aroostook, Franklin, Oxford, Piscataquis, Somerset and Washington counties over one quarter of county personal income was from transfer payments, with Washington County having the highest proportion at 35.3 percent. These are among the poorest counties in the state, and most also have higher proportions of elderly residents than in other counties.

Over time, transfer payments have constituted an increasing proportion of Maine's total personal income, compared with the U.S. as a whole, where the proportion has remained relatively the same since 2002 (Figure 6). This is perhaps to be expected, given Maine's demographic trends, particularly its increasing proportion of elderly and lower-income residents.

The largest proportion of transfer payments are not means-tested benefits, but are "entitlements" such as Social Security and Medicare. However, in the near term as Maine and the nation are in the midst of difficult economic times, we are seeing an increase in the amount of transfer payments in needs-based "safety net" programs such as the Supplementary Nutrition Assistance Program [formerly called food stamps], free and reduced school lunch, and Medicaid.

Figure 6: Percentage of Personal Income from Transfer Payments, Maine and U.S., 2000-2006



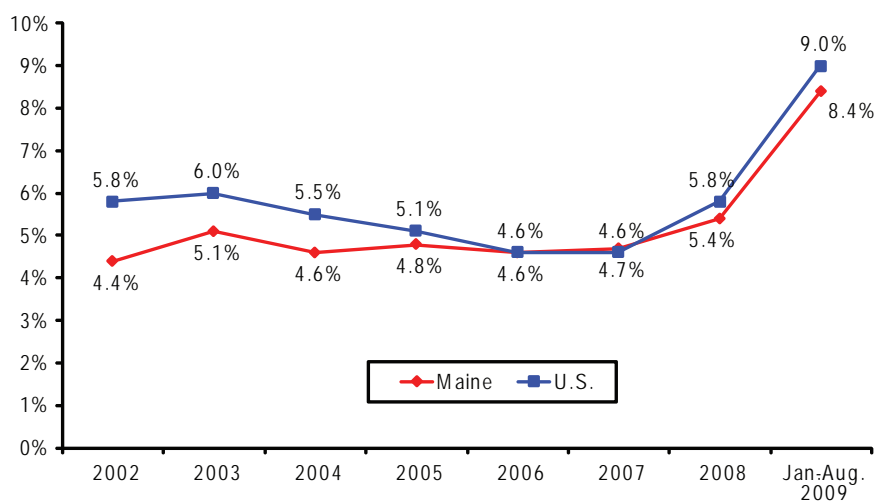
Source: U.S. Bureau of Economic Analysis, Regional Economic Information System

## EMPLOYMENT

Maine's recent employment picture remains mixed, with a continued decline in jobs in manufacturing and natural-resource based industries. The recent *Measures of Growth in Focus* report (Maine Economic Growth Council 2009) notes that through 2007, the number of jobs in Maine continued to grow, though slowly, with greatest growth from 2006 to 2007 in the sectors of professional and business services, transportation-warehousing-utilities, educational services, and health care and social assistance. The report also notes that the proportion of Mainers holding multiple jobs (8.1 percent in 2007) continues to be higher than the U.S. rate (5.2 percent), and that the gap has been widening over the past several years. The Maine Economic Growth Council views multiple-job holding as a proxy for job quality, noting that the state's higher rate of multiple-job holding suggests that many jobs are not paying a livable wage or providing adequate benefits to meet basic needs (2009: 9). Multiple-job holding is related to two primary factors in Maine: seasonal employment and low wages. Maine has a high number of seasonal jobs, especially in the tourism and natural resource-based industries. Although some seasonal employment pays well, the income is generally not enough to sustain families year-round, and seasonal employment earnings in Maine are also unpredictable. In addition, average wages in Maine are relatively low, related in part to the growth in lower-paying service-sector employment and the decline in manufacturing.

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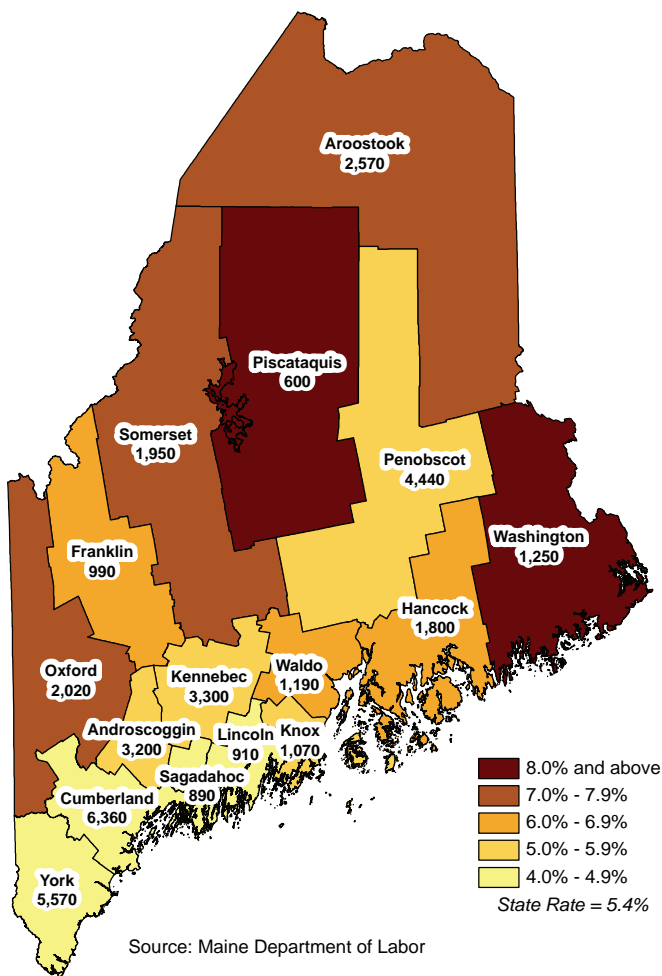
Figure 7: Maine and U.S. Annual Monthly Average Unemployment Rate Trends, 2002-August, 2009



Source: Maine Department of Labor

Maine unemployment increased sharply from 2007 to 2008 as the recession impacted the state (Figure 7). The trend in increasing unemployment is continuing even more sharply in 2009 to date. For the first eight months of 2009

Figure 8: Monthly Average Unemployment, 2008



(January-August) the monthly average unemployment rate in Maine was 8.4 percent and in the U.S. it was 9.0 percent. If these months are any indication, it appears that 2009 will be one of the worst on record in recent times for unemployment. The unemployment rate is a “lagging indicator,” meaning that during economic downturns such as the current one, unemployment continues to rise even after the economic situation starts to improve, as employers do not start hiring immediately.

As in previous years, in 2008 there were major differences in unemployment among Maine’s counties (Figure 8, Table 1). The highest rate of unemployment was in Washington (8.5 percent) and Piscataquis (8.0 percent) counties, with Somerset close behind (7.8 percent). Lowest unemployment rates were in Cumberland (4.0 percent), Sagadahoc (4.6 percent) and York (4.9 percent) counties. Cumberland County had the largest number of unemployed individuals (6,360), followed by York County (5,570).

Because unemployment figures do not include “discouraged workers” who are not actively seeking work, and because part-time workers are considered employed, the true number of unemployed and underemployed people is much higher than the official figures would indicate.

Table 1: Labor Force and Monthly Average Unemployment Rates, 2008

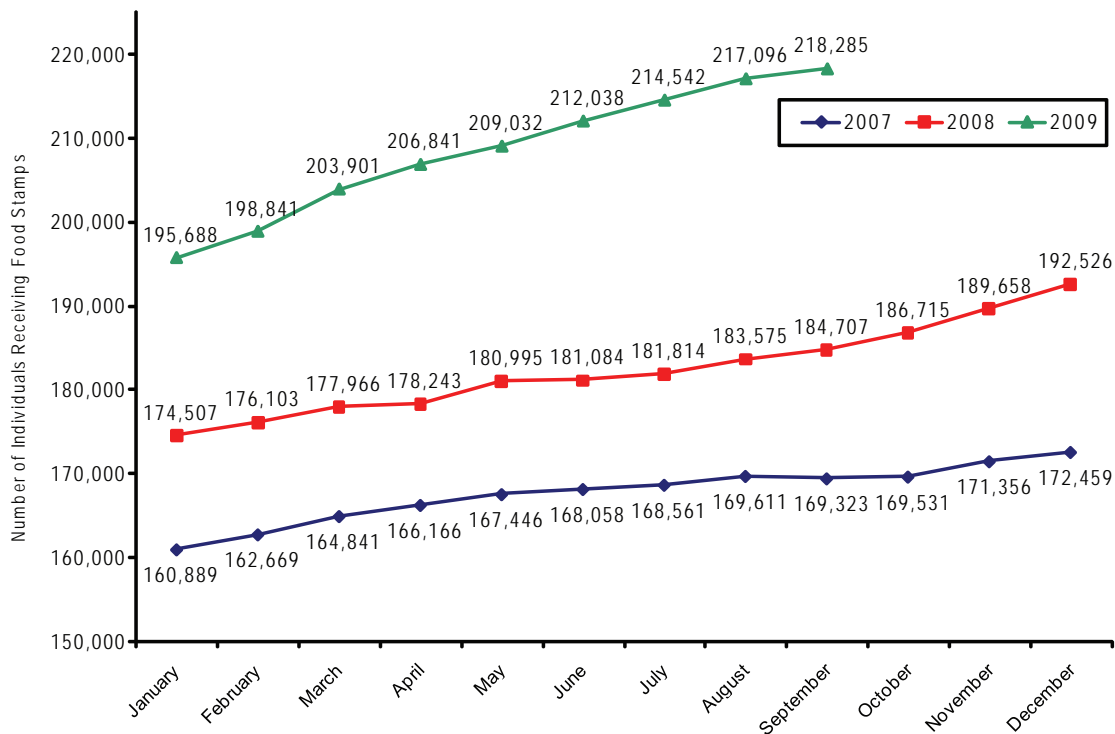
	Civilian Labor Force	Unemployed	Unemployment Rate
Androscoggin	58,520	3,200	5.5
Aroostook	35,350	2,570	7.3
Cumberland	158,220	6,360	4.0
Franklin	14,340	990	6.9
Hancock	29,890	1,800	6.0
Kennebec	63,750	3,300	5.2
Knox	21,140	1,070	5.1
Lincoln	18,440	910	4.9
Oxford	28,480	2,020	7.1
Penobscot	79,110	4,440	5.6
Piscataquis	7,480	600	8.0
Sagadahoc	19,210	890	4.6
Somerset	24,980	1,950	7.8
Waldo	19,170	1,190	6.2
Washington	14,660	1,250	8.5
York	114,110	5,570	4.9
STATE	706,800	38,100	5.4



## SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM [FOOD STAMPS] NEWS

We reported in our April 2009 newsletter on annual figures and trends for the Supplemental Nutrition Assistance Program [food stamps] through FY2008. Normally, monthly average annual figures are the most useful measure for analyzing year-to-year trends, since this approach evens out any month-to-month fluctuations. As we reported previously, participation in Maine's food stamp program has been increasing for a number of years.

Figure 9: Numbers of Individuals Participating in the Supplemental Nutrition Assistance Program [Food Stamps] by Month, January 2007-September 2009



Source: Maine Department of Health and Human services n.d.

Because SNAP [food stamps] is such a broad-based safety net program, it can be seen as a sensitive and immediate indicator of patterns of economic distress when trends are looked at on a monthly basis. The monthly number of individuals receiving food stamps since January 2007 shows the sharp increase in food stamp use in Maine, especially since the latter months of 2007 (Figure 9). The upswing in enrollment in the food stamp program has continued in the first nine months of 2009. For example, comparing September 2007 with September 2009, there was an increase of 48,962 in the number of people receiving food stamps, a 22 percent increase. The increase in food stamp program participation is highly likely related to increased levels of need during the current recession.



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